

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 1 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2001 are set out in the consolidated income statement on page 18.

The Directors do not recommend the payment of any interim or final dividend for the year ended 31 December 2001.

RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements.

DISTRIBUTION RESERVES

The Company's reserves available for distribution represent the share premium contributed surplus and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

Reserves of the Company which are available for distribution to shareholders at 31 December 2001 amounted to HK\$240,167,000.

INVESTMENT PROPERTIES

Movements during the year in investment properties of the Group are set out in note 18 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year in the property, plant and equipment of the Group are set out in note 19 to the financial statements.

SHARE CAPITAL

Movements in the share capital of the Company are set out in note 28 to the financial statements.

SUBSEQUENT EVENT

Details of the subsequent event are set out in note 39 to the financial statements.

RETIREMENT AND PENSION PLAN

The group companies operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. These group companies are required to make specific contributions to the retirement schemes at a rate of 19% of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2001 amounted to approximately HK\$827,000.

The Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all its non-PRC employees in December 2000. The MPF Scheme is registered with the Hong Kong Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefits scheme contributions arising from the MPF Scheme amounting to HK\$155,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2001, turnover attributable to the Group's largest customer accounted for approximately 27% of the Group's consolidated turnover and aggregate turnover attributable to the five largest customers of the Group accounted for approximately 87% of the Group's consolidated turnover.

For the year ended 31 December 2001, purchases attributable to the Group's largest supplier accounted for approximately 76% of the Group's total purchases and aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 98% of the Group's total purchases.

To the knowledge of the Directors, none of the Directors, or their respective associates, or shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in any of the five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year and up to date of this report were:

Executive Directors

Mr. Leung Kwo (*Chairman*)

Mr. Han Junran

Mr. Albert Lo

Mr. Lu Gong (appointed on 7 April 2001 and resigned on 8 February 2002)

Non-executive Director

Mr. Long Tao (resigned on 18 March 2002)

Independent Non-executive Directors

Mr. Lam Tak Shing (appointed on 5 March 2001)

Mr. Ip Chun Chung, Robert (appointed on 5 March 2001 and resigned on 11 March 2002)

In accordance with the provisions of the Company's Articles of Association, Mr. Han Junran shall retire from office and, being eligible, offer himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a period of two years, (in the case of Mr. Leung Kwo ("Mr. Leung"), three years) commencing on 1 February 2000 and continuing thereafter on a yearly basis until terminated by either party giving to the other not less than six months' notice.

The term of office of each of the Non-executive Directors is the period to his retirement by rotation in accordance with the Company's Articles of Association.

There are no service contracts, which are not determinable by the Company within one year without payment of compensation (other than statutory compensation), of any director proposed for re-election at the forthcoming annual general meeting.

COMPETITION WITH THE GROUP'S BUSINESS

Mr. Leung Kwo was involved in the acquisition of a piece of land for development in Beijing, the PRC during the year. The transaction was considered by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that it appeared to be a competition with the Company in certain aspects of business. 49% and 51% of the interest in land were subsequently sold to the Company and an independent third party respectively. Details of the transaction have been disclosed in the circular dated 31 December 2001 to the shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2001, the interests of the Directors and the chief executive and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") were as follows:

Name of director/chief executive	Number of shares held
	Personal interests
Mr. Leung Kwo, director	4,800,000
Mr. Fu Yiu Man, Peter chief executive officer (resigned on 31 January, 2002)	8,250,000

Other than as disclosed above and certain nominee shares in subsidiaries held by the Directors in trust for the Group, none of the Directors or the chief executive, nor their associates had any beneficial interests in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which is required to be recorded in the Register of Directors' Interests pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Details of personal interests of the Directors in the share options to subscribe for shares in the Company are disclosed under "Share Options" below.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 January 2000 for the primary purpose of providing incentives to executive directors and eligible employees, and will expire in January 2010. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme and other share option schemes of the Company is not permitted to exceed 10% of the issued shares of the Company from time to time excluding any shares of the Company allotted and issued pursuant to the Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in aggregate is not permitted to exceed 25% of the shares of the Company in issue and issuable.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options granted may be exercised at any time during a period notified by the board of directors and, unless otherwise resolved by the board of directors at the time of grant, such period of time should not be less than three years and not more than ten years from the date of grant of the option. The exercise price is determined by the directors and will be the higher of the 80% of the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

SHARE OPTIONS (continued)

The Stock Exchange amended the requirements for share option schemes under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The new requirements have come into effect from 1 September 2001.

In order to comply with the new Listing Rules requirements, a new option scheme will be tabled for shareholders' approval in an extraordinary general meeting to be held on 14 June 2002 and the existing share option scheme adopted on 25 January 2000 will be terminated accordingly.

The fair value of the options granted in the current year totalled approximately HK\$6,502,000. The following significant assumptions were used to derive the fair values using the Black-Scholes option pricing model:

1. an expected volatility of 70%;
2. no annual dividend; and
3. the following Hong Kong Exchange Fund Notes rates for the option category indicated and based on the estimated expected life indicated:
 - a. Director/chief executive officer, 5.19% and 6.54%, 3 years; and
 - b. Employees, 5.19%, 3 years.

No charge is recognised in the income statement in respect of the value of options granted in the year.

Directors' Report

SHARE OPTIONS (continued)

The following table discloses movements in the Company's share options during the year:

	Option type	Outstanding at the beginning of the year	Granted during the year	Exercised during the year	Outstanding at the end of the year
Directors/chief executive officer					
Mr. Leung Kwo, director	2000	3,950,000	–	(2,500,000)	1,450,000
Mr. Han Junran, director	2001B	–	5,000,000	–	5,000,000
Mr. Fu Yiu Man, Peter chief executive officer	2001A	–	6,250,000	(6,250,000)	–
Total		3,950,000	11,250,000	(8,750,000)	6,450,000
Employees					
	2001A	–	6,000,000	(3,208,000)	2,792,000
	2001C	–	1,000,000	–	1,000,000
Total		–	7,000,000	(3,208,000)	3,792,000

SHARE OPTIONS (continued)

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Closing price immediately before the date of grant	Exercise price per share
2000	27 July 2000	27 July 2000 to 26 July 2003	27 July 2000 to 26 July 2003	1.33	1.04
2001A	13 February 2001	13 February 2001 to 12 February 2004	13 February 2001 to 12 February 2004	0.78	0.64
2001B	15 February 2001	15 February 2001 to 14 February 2004	15 February 2001 to 14 February 2004	1.11	0.69
2001C	21 February 2001	21 February 2001 to 20 February 2004	21 February 2001 to 20 February 2004	1.2	0.96

Note:

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.98 per share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme for employees (including Executive Directors) of the Company or any of its subsidiaries as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under note 37 to the financial statements, no contracts of significance to which the Company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

At no time during the year, did the Company or any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

SUBSTANTIAL SHAREHOLDERS

As at the date of the balance sheet, the persons, other than a director or chief executive of the Company, who will be directly or indirectly interested in 10% or more of the shares of the Company as recorded in the register maintained under Section 16(1) of the SDI Ordinance are as follows:

Name	Number of shares	Approximate percentage of holding
New Rank Groups Limited ("NRG")	120,254,297	44.25%
Silver World Limited	120,254,297	44.25%
Royal Bank of Canada Trust Company (Cayman) Limited	120,254,297	44.25%

Notes:

- (1) NRG is a wholly-owned subsidiary of Silver World Limited which is, in turn, wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited ("Royal Bank Trustee").
- (2) Royal Bank Trustee is the trustee of a discretionary trust called New Rank Trust. The beneficiaries of the New Rank Trust include a holding company and its wholly-owned subsidiary and certain relatives of Mr. Leung and Ms. Lau Suen, wife of Mr. Leung, provided that such individuals are not residents of Canada for tax purpose nor residents of the PRC. The holding company is wholly-owned by another discretionary trust called Hold Trust.
- (3) The beneficiaries under the Hold Trust include the lineal descendants (together with their spouses) of every degree of consanguinity of the paternal grandfather and maternal grandfather of each of Mr. Leung and Ms. Lau Suen provided that they are not residents of Canada for tax purposes nor residents of the PRC.
- (4) Under letters of wishes (which are not legally binding) issued to the trustees of both trusts, the trustees are requested to obtain the views of Ms. Lau Suen (or upon her death, Mr. Leung) from time to time on all matters relating to the trusts and consider her views as if they were the settlor's.

SUBSTANTIAL SHAREHOLDERS (continued)

So far as is known to any Director or chief executive of the Company, the only company (other than members of the Group) directly or indirectly interested in 10% or more of the voting power at general meetings of the subsidiaries of the Company is set out below:

Name of owner	Name of subsidiary	Percentage of equity interest
Guozheng Economic Development Company Limited ("Guozheng")	Beijing Zhong Zheng Real Estate Development Co., Ltd. ("Beijing Zhong Zheng")	34% (Note)

Note:

Beijing Zhong Zheng was established on 5 June 1995. Its existing joint venture partners are Tong Sun Limited ("Tong Sun"), a subsidiary of the Company, Guozheng and Beijing Finance Street Construction & Development Co. Ltd. ("Finance Street Development") and its capital contributions are as to 66% by Tong Sun and 34% by Guozheng. Pursuant to an agreement entered into between Finance Street Development, Guozheng and Tong Sun on 9 October 1999, Tong Sun became entitled to 100% of the economic benefit of Beijing Zhong Zheng and Guozheng becomes entitled to a fixed distribution by way of the ownership right of an office space in the China Securities Building, the property being developed by Beijing Zhong Zheng, of gross floor area of 7,000 square metres upon the completion of construction of the China Securities Building.

Save as disclosed above, the Company has not been notified of any other interest as at 31 December 2001 representing 10% or more of the issued share capital of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

Messrs. Arthur Andersen & Co., were auditors of the Company for the period from the date of incorporation on 10 August 1998 to 31 December 1999 and Messrs. Deloitte Touche Tohmatsu were appointed as auditors of the Company for the year ended 31 December 2000.

A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. Deloitte Touche Tohmatsu.

On behalf of the Board

Leung Kwo
CHAIRMAN

Hong Kong, 23 April 2002